

**ONE HUNDRED FIFTH LEGISLATURE - FIRST SESSION - 2017**  
**COMMITTEE STATEMENT**  
**LB640**

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**Hearing Date:** Thursday February 16, 2017  
**Committee On:** Revenue  
**Introducer:** Groene  
**One Liner:** Change provisions of the Property Tax Credit Act and provide school district property tax relief

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**  
**Aye:** 6 Senators Brasch, Friesen, Groene, Larson, Lindstrom, Smith  
**Nay:**  
**Absent:**  
**Present Not Voting:** 2 Senators Schumacher, Harr

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**Verbal Testimony:**

**Proponents:**

Senator Mike Groene  
Jon Habben  
Larry Storer  
Jay Rempe

**Representing:**

Introducer  
Nebraska Rural Community Schools Association  
Self - Omaha, Nebraska  
Nebraska Farm Bureau, Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Pork Producers, Nebraska Soybean Association, Nebraska State Dairy Association

**Opponents:**

Brady Rhodes

**Representing:**

Greater Nebraska Schools Association, Hastings Public Schools

**Neutral:**

Micaela LaRose  
Bryce Wilson

**Representing:**

OpenSky Policy Institute  
Nebraska Department of Education

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**Summary of purpose and/or changes:**

The Tax Equity and Educational Opportunities Support Act (TEEOSA) dictates that local property taxes come first in the equation of how we pay for public schools. It does not take into consideration the ability of a community to pay those taxes.

Property tax makes up 48% of major taxes collected in the state. The heaviest burden of property taxes statewide is levied to the school districts. Per the 2016 Department of Revenue report, 60% is levied to the schools statewide. LB 640 will put (Tax Equity) back into TEEOSA.

LB 640 has three major components:

(1) The Total revenue portion generated from the property tax is capped. The property tax portion of total general fund revenue is capped at 60% for a school district. The difference between 60% and present property taxes collected is recaptured by two means. 75% of the difference will be funded by the state. All or part of the additional 25% of the

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difference may be made up by the local district through property taxes with a supermajority vote of the school board after a public hearing. LB 640 will effect 159 unequalized districts and 26 districts that receive minimal equalization.

(2) LB 640 provides property tax relief for citizens in equalized districts by lowering the maximum levy from 1.05 to 1.00. By doing so, property taxes will be offset by property tax relief aid.

(3) Funding for LB 640, will come with a transfer from the Property Tax Credit Cash Fund, by requiring that the first money into the fund will be the first money out, to the Tax Equity and Educational Opportunities Fund to pay for the property tax relief aid to local systems. If the balance in the Property Tax Credit Fund is less than the calculation for the school district relief aid, the individual school district aid will be reduced proportionately.

The Department of Education will work with the Department of Revenue on the necessary process and calculations necessary to carry out the the provisions of the bill.

LB640 will give long range tax equity in school funding. It eliminates the effect of valuation inflation, it puts local control into local school funding by making local school boards justify any additional property tax asking to fill the gap above the 75% factor. It will also eliminate some of the shielding effect that the property tax credit gives local government entities for spending increases.

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**Explanation of amendments:**

AM752 to LB640

The Amendment becomes the bill.

The statutory maximum levy for school districts will be reduced from \$1.05 per \$100 of taxable value to \$0.987 per \$100 of taxable value beginning with fiscal year 2018-19.

If a temporary reduction of TEEOSA aid occurs, a school district may access up to an additional \$0.03 per \$100 of taxable value above the statutory maximum levy. A public hearing and a 2/3 majority vote of the board of education is required before a school district may access the additional \$0.03. Only 75% of the reduction in TEEOSA aid may be generated with the additional \$0.03. The Department of Education will certify the amount of the temporary reduction in aid to each school district. The additional levy (up to \$0.03 per \$100 of taxable value) is only in effect for that specific school fiscal year.

A temporary reduction in aid is the amount which aid is reduced for a school district due to any statutory provision that reduces the statewide total amount of TEEOSA aid. A temporary reduction in aid is valid for a specified period of time after which the statutory provision reverts to the provision as it existed prior to the temporary reduction in aid.

Beginning with tax year 2018 and each tax year thereafter, the Department of Education will certify to the State Treasurer the statewide increase in TEEOSA that results from reducing the statutory maximum levy from \$1.05 per \$100 of taxable value to \$0.987 per \$100 of taxable value. The State Treasurer will transfer an amount equal to this increase in TEEOSA aid from the Property Tax Credit Cash Fund to the Tax Equity and Educational Opportunities Fund.

For tax year 2018 and each tax year thereafter, the amount of property tax relief shall be the amount available in the Property Tax Credit Cash Fund after transferring funds for TEEOSA aid and PTRAs.

A school district will qualify for the School District Property Tax Relief Aid (PTRAs) if its general fund property tax receipts exceed 55% of its total general fund revenue. School districts that qualify for the PTRAs are required to budget the monies as a revenue source before property taxes.

For school fiscal year 2018-19 and each school fiscal year thereafter, the Department of Education will calculate a preliminary equalization aid amount to determine if a school district will qualify for an option enrollment relief correction.

The final calculation of equalization aid will be the difference between total formula needs of a school district and the sum of its total formula resources plus the option enrollment relief correction.

A school district qualifies for the option enrollment relief correction if it does not qualify for PTRA and its net option funding is greater than 90% of the preliminary state aid calculated for the school fiscal year.

Preliminary state aid is the sum of the preliminary equalization aid, net option funding, best practices aid, allocated income tax funds and community achievement plan aid.

The option enrollment relief correction for each qualifying school district is equal \$0.63 per \$100 dollars of adjusted valuation.

A school district receiving PTRA will have its budget authority reduced by 25% of to the property tax gap unless an override of all or part of such reduction is accessed by a 2/3 majority vote of the board of education.

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Jim Smith, Chairperson